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CIRCULAR TO ALL BANKS

LENDING TO ALL TIERS OF GOVERNMENT AND THEIR AGENCIES

Our circular reference number BSD/03/2002 of April 15, 2002 on “granting of credits to all tiers of government and their agencies” requiring banks to make provision of 50% and 100% for performing and non-performing credits, respectively is hereby revised as follows:

Banks are now to apply the normal provisions of the prudential guidelines to all public sector credits. However, a maximum limit of 10% of the total credit portfolio should be placed on public sector credits, both on-and-off Balance Sheet. Where the existing credit limit to the public sector has exceeded the prescribed maximum limit of 10%, it should be brought down to the maximum limit of 10% by December 31, 2009.

Banks are reminded of the history of non-performing public sector credits, and are therefore strongly advised to exercise caution and set a more conservative threshold to avoid the mistakes of the past. The Central Bank of Nigeria will be constrained to reintroduce measures to curb public sector loans if banks do not put in place appropriate measures to avoid excessive exposure to the sector.

D.A.N. EKE

For: DIRECTOR OF BANKING SUPERVISION